

Message Text

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PAGE 01 LIMA 03945 141707Z

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ACTION ARA-10

INFO OCT-01 ISO-00 OES-03 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 /090 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5124

C O N F I D E N T I A L LIMA 3945

E.O. 11652: GDS

TAGS: BDIS, EMIN, EGEN, PE

SUBJECT: MARCONA OFFICIALS CALL ON AMBASSADOR

REF: LIMA 3623

1. MARCONA OFFICIALS GORDON L. FURTH (EXECUTIVE VICE PRESIDENT), JAMES COMPTON (VP PRODUCTION) AND J.R. CARWIN (VP ADMINISTRATION) CALLED ON AMBASSADOR MAY 13. FURTH SAID HE AND COMPTON HAD COME TO PERU IN RESPONSE TO INDICATIONS THAT MARCONA'S POSITION HERE HAD DETERIORATED. HOWEVER, SITUATION NOW APPEARS LESS DIFFICULT. THEY SAID THEY HAD MET WITH MINES MINISTER FERNANDEZ MALDONADO AND THAT HE HAD BEEN AS PERSONABLE AS ALWAYS. (NOTE: THIS IS CHARACTERISTIC. FERNANDEZ MALDONADO SAVES HIS RADICALISM FOR PUBLIC APPEARANCES AND STATEMENTS.) THEY EXPECT TO MEET WITH GOP'S MARCONA COMMISSION LATER THIS WEEK, ALTHOUGH THEY NOTED COMMISSION HAD FAILED TO SHOW UP FOR TWO MEETINGS SCHEDULED IN PAST TWO WEEKS.

2. FURTH AND COMPTON SAID THEY HAD IMPRESSION THAT GOP MIGHT BE BACKING OFF SOMEWHAT FROM WHAT APPEARED TO BE EARLIER INTENTION OF SIMPLY TAKING MARCONA, HAVING REALIZED THAT OPERATION NEEDS TECHNICAL SERVICES OF
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PAGE 02 LIMA 03945 141707Z

MARCONA MANAGING CONTRACT, CONTINUATION OF EXISTING SALES

CONTRACTS, AND ACCESS TO MARCONA SHIPPING. (NOTE: WE THINK THAT LATTER POINT MAY NOT BE PARTICULARLY STRONG.) AS AN ILLUSTRATION, THEY SAID, JAPAN IS INTERESTED IN AUSTRALIAN COKING COAL, WHICH AUSTRALIA HAS INDICATED IT MIGHT SELL IF JAPAN WERE TO TAKE MORE AUSTRALIAN IRON ORE. PERU MUST THEREFORE BE CAREFUL NOT TO IMPERIL ITS IRON ORE MARKETS.

3. FURTH SAID MARCONA CONTINUED TO BE CONCERNED OVER GOP ASSERTION THAT FOUR PERCENT SALES CHARGE PAID BY MARCONA TO MARCONA INTERNATIONAL OF PANAMA IS EXCESSIVE AND THAT IT SHOULD HAVE BEEN ONLY TWO PERCENT SINCE 1971. GOP CLAIM AGAINST MARCONA ON THIS ACCOUNT IS \$21 MILLION PLUS \$6 MILLION IN ACCUMULATED PENALTIES. FURTH SAID MARCONA LAWYERS BELIEVE THEY HAVE GOOD CASE, BUT THAT MARCONA EXPECTS MATTER TO BE RAISED DURING VISIT OF COMMERCE MINISTER ARIAS TO WASHINGTON NEXT WEEK. MARCONA HAS BRIEFED OFFICIALS IN BOTH STATE AND COMMERCE, AND FURTH HIMSELF PLANS TO BE IN WASHINGTON DURING MINISTER'S VISIT. FURTH CLARIFIED THAT FOUR PERCENT CHARGE IS NOT A COMMISSION BUT IS A FEE TO COVER SELLING EXPENSES, LOSSES IN TRANSIT, INSURANCE AND COMMISSION. CHARGE IS SPECIFIED IN CONTRACT SIGNED IN 1966, RE-AFFIRMED IN 1970 WHEN CONTRACT WAS AMENDED TO COVER EXPANSION IN MARCONA PRODUCTION. HE AGREED THAT GOP MIGHT LOOSELY TERM THIS CHARGE A COMMISSION.

4. FURTH AND COMPTON SAID THEY DID NOT THINK THAT FOREGOING CLAIM PLUS OTHER CHARGES LISTED IN PARAGRAPH 5 REFTEL WOULD FIGURE AS A CENTRAL ISSUE IN EXPROPRIATION NEGOTIATIONS. GOP WOULD PROBABLY ATTEMPT TO ARRIVE AT SETTLEMENT FIGURE ON BASIS OF EVALUATION OF MARCONA'S ASSETS AND PROSPECTS. CLAIMS WOULD BE TREATED AS SEPARATE ISSUE TO BE RESOLVED IN ANOTHER CONTEXT. GOP WOULD, IF IT CHOSE, THEN BE IN POSITION TO MAINTAIN THAT ADEQUATE COMPENSATION HAD BEEN PAID TO MARCONA AND THAT MARCONA HAS SIMPLY BEEN CALLED UPON TO APPLY THIS COMPENSATION AGAINST SETTLEMENT OF LEGITIMATE GOP TAX CLAIMS, ETC. GOP MIGHT THUS HOPE TO AVOID CONSEQUENCES OF U.S. RETALIATORY LEGISLATION. CONFIDENTIAL

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PAGE 03 LIMA 03945 141707Z

5. IN RESPONSE TO AMBASSADOR'S QUESTION ABOUT CHARGES OF POLLUTION THAT HAVE BEEN LEVIED AGAINST MARCONA, COMPTON SAID THAT MARCONA HAS BEEN PAYING FEE TO GOP IN RETURN FOR RIGHT TO DUMP TAILINGS IN BAY. HE CLAIMED THIS DUMPING IS NONPOLLUTING AND THAT REGULAR TESTS ARE CONDUCTED TO ENSURE ENVIRONMENT IS NOT BEING HARMED.

6. IN AN ASIDE, FURTH REMARKED THAT MARCONA DID NOT BELIEVE THAT RECENT PRESS ATTACKS WERE ORCHESTRATED BY FERNANDEZ MALDONADO; RATHER MARCONA HAD REASON TO BELIEVE THEY WERE PLANTED BY PERSONS TO THE LEFT OF THE MINISTER. FERNANDEZ MALDONADO MAY IN FACT HAVE PUT A STOP TO THE ATTACKS. RECENTLY, PRESS COVERAGE HAS BEEN BETTER. A STORY IN "CORREO" LAST WEEK WAS PARTICULARLY OBJECTIVE IN OUTLINING THE PITFALLS OF WHICH THE GOP MUST BEWARE IN ANY EXPROPRIATION ACTION.

7. COMMENT: MARCONA OFFICIALS APPEARED SOMEWHAT LESS PESSIMISTIC THAN IN THE PAST. HOWEVER, IT IS CLEAR THAT QUESTION OF TAX AND OTHER CHARGES IS OF CONTINUING CONCERN AND THAT FURTH ATTACHES IMPORTANCE TO OPPORTUNITY PRESENTED BY ARIAS VISIT TO WASHINGTON TO CLARIFY THIS ISSUE WITH HIM.
DEAN

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